



WEEKLY ECONOMIC DIGEST

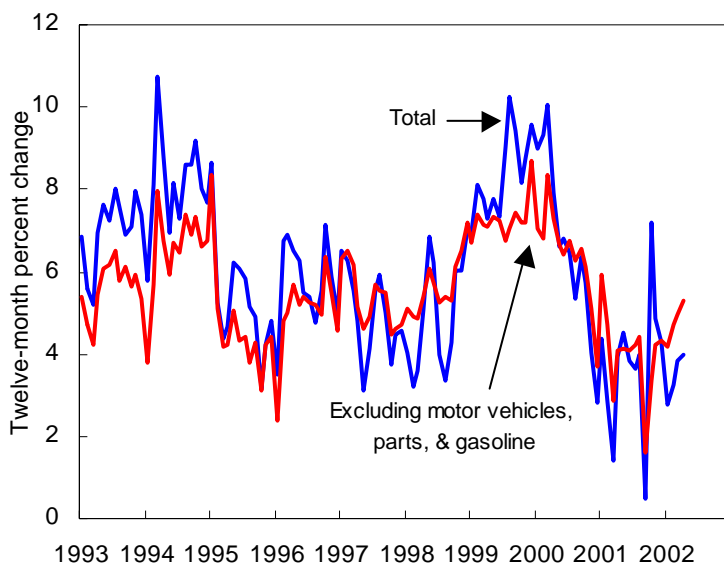


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

May 21, 2002

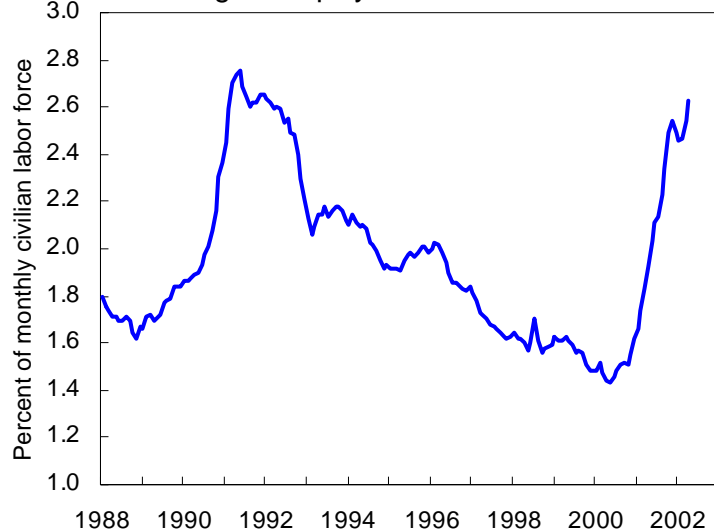
Sales and Production Rallied, But Jobless Claims Remain High

Retail and Food Services Sales



Source: Census Bureau, U.S. Department of Commerce.

Continuing Unemployment Insurance Claims



Sources: Bureau of Labor Statistics and Employment Training Administration, U.S. Department of Labor.

- **Retail sales surged in April.** Retail and food services sales rose 1.2 percent last month, according to preliminary estimates by the Department of Commerce. Sales were substantially stronger than most analysts had expected, and the gains were more broadly based than they have been in recent months. The April level of retail and food services sales was 4 percent higher than it was a year earlier. Sales excluding the volatile categories motor vehicles, parts, and gasoline were 5.3 percent above last April's level. Fueling hope that the strength in sales might continue, the University of Michigan's index of consumer sentiment for early May also came in somewhat higher than most analysts had expected, rising to its highest level since the end of 2000.
- **Industrial production rose last month.** Production in the nation's factories, mines, and utilities grew 0.4 percent in April, matching March's rate of increase. Growth of factory output slowed slightly, to 0.3 percent from 0.5 percent in March. However, production of durable goods continued at a solid 0.5 percent rate as defense-related production and high-technology output continued to lead overall growth. Additional evidence that a rebound in capital spending may be in the offing came from the latest data on foreign trade, which showed that real imports of non-automotive capital goods rose slightly in March.
- **Underlying consumer price inflation remained moderate.** The consumer price index grew 0.5 percent in April, driven in part by a 4.5 percent surge in energy prices. The core rate of inflation in consumer prices (which excludes the effects of changes in food and energy prices) grew 0.3 percent last month, compared with 0.1 percent in March. That pickup in core inflation, however, was largely the result of a 6.8 percent increase in cigarette prices and is likely to be viewed as temporary by the Federal Reserve.
- **Jobless claims remain stubbornly high.** New claims for unemployment insurance have hovered in the vicinity of 420,000 in recent weeks. The effect of the temporary extension of unemployment insurance benefits in boosting new claims is now largely over, and the rate at which applications for new claims are being filed is still too high to be consistent with overall job creation. In April, continuing claims as a percent of the civilian labor force reached 2.6 percent, its highest level in more than a decade.

| Economy At A Glance | Apr | Mar | Feb | Jan | 2002 Qtr 1 | 2001 Qtr 4 | 2001 Qtr 3 | 2001 Qtr 2 | 2001 | 2000 |
|--|-------|-------|------|------|---------------|---------------|---------------|---------------|-------|-------|
| Economic Activity | | | | | | | | | | |
| Real GDP (% growth)* | | | | | 5.8 | 1.7 | -1.3 | 0.3 | 1.2 | 4.1 |
| Industrial Production (% growth) | 4.9 | 4.9 | 3.7 | 7.4 | 2.6 | -6.7 | -4.7 | -5.9 | -3.9 | 4.5 |
| Capacity Utilization (Level, %) | 75.5 | 75.3 | 75.0 | 74.8 | 75.0 | 74.7 | 76.2 | 77.4 | 76.8 | 81.8 |
| Civilian Unemployment Rate (Level, %) | 6.0 | 5.7 | 5.5 | 5.6 | 5.6 | 5.6 | 4.8 | 4.5 | 4.8 | 4.0 |
| Housing Starts (Thousands) | 1555 | 1644 | 1788 | 1713 | 1715 | 1573 | 1603 | 1624 | 1603 | 1569 |
| Real Disposable Personal Income (% growth) | | 3.7 | 7.4 | 22.4 | 10.4 | -8.1 | 12.3 | 2.4 | 3.6 | 3.5 |
| Retail Sales (% growth) | 15.8 | 0.6 | 6.8 | -1.5 | -2.3 | 12.9 | -0.9 | 4.1 | 3.8 | 6.7 |
| Personal Saving Rate (Level, %) | | 2.2 | 2.1 | 2.0 | 2.1 | 0.4 | 3.8 | 1.1 | 1.6 | 1.0 |
| Inflation & Productivity | | | | | | | | | | |
| CPI-U Inflation, All Items (% growth) | 6.2 | 3.7 | 2.4 | 2.4 | 1.4 | -0.3 | 0.7 | 3.1 | 2.8 | 3.4 |
| Core CPI-U Inflation (% growth) | 3.7 | 1.2 | 3.7 | 2.4 | 2.3 | 2.7 | 2.7 | 2.4 | 2.7 | 2.4 |
| Compensation per Hour (% growth) | | | | | 3.6 | 4.2 | 3.7 | 4.0 | 4.1 | 4.5 |
| Output per Hour (% growth) | | | | | 8.6 | 5.5 | 1.1 | 2.1 | 1.9 | 3.3 |
| Financial Markets | | | | | | | | | | |
| T-Bill Rate, 3-month (Level, %) | 1.7 | 1.8 | 1.7 | 1.7 | 1.7 | 1.9 | 3.2 | 3.7 | 3.4 | 5.8 |
| T-Note Rate, 10-years (Level, %) | 5.2 | 5.3 | 4.9 | 5.0 | 5.1 | 4.8 | 5.0 | 5.3 | 5.0 | 6.0 |
| Federal Funds Rate (Level, %) | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 | 2.1 | 3.5 | 4.3 | 3.9 | 6.2 |
| Dow Jones Industrial Avg (Index Level) | 10165 | 10501 | 9891 | 9924 | 10105 | 9641 | 9934 | 10669 | 10189 | 10735 |

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Durable Goods Manufacturers Report, April** (preliminary) [Release: Thursday, May 23, 2002]
- **Gross Domestic Product, First quarter** (revised) [Release: Friday, May 24, 2002]
- **New Home Sales, April** [Release: Friday, May 24, 2002]